

1 _____ BILL NO. _____

2 INTRODUCED BY _____
3 (Primary Sponsor)

4 A BILL FOR AN ACT ENTITLED: "AN ACT LIMITING LOCAL GOVERNMENT EXPENDITURE GROWTH;
5 PROVIDING THAT THE LIMIT IS EQUAL TO THE AVERAGE RATE OF INFLATION FOR THE PRIOR 3
6 YEARS PLUS THE AVERAGE POPULATION GROWTH OF A LOCAL GOVERNMENT ENTITY IN THE
7 PRIOR 3 YEARS; PROVIDING EXCEPTIONS; PROVIDING MECHANISMS TO EXPEND AN AMOUNT
8 ABOVE THE EXPENDITURE LIMITATION IN CERTAIN SITUATIONS; AMENDING SECTION 15-10-420,
9 MCA; AND PROVIDING A DELAYED EFFECTIVE DATE AND AN APPLICABILITY DATE."

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11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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13 NEW SECTION. **Section 1. Local government expenditure limitation -- exceptions.** (1) Except as
14 provided in subsection (4), total expenditures by a local government entity, as defined in 7-6-602, for fiscal
15 years beginning July 1, 2026, may not exceed the greater of:

16 (a) the total amount expended by the local government entity in the prior fiscal year; or
17 (b) the sum of the average inflation rate of the prior 3 years plus the average population growth
18 rate of the local government entity for the prior 3 years multiplied by the amount of money expended in the prior
19 fiscal year. The rate of inflation must be calculated using the consumer price index as published by the United
20 States department of labor. The population growth rate must be calculated using the most recent estimate
21 published by the United States census bureau.

22 (2) For purposes of the local government expenditure limitation, total expenditures include
23 expenditures from all available sources of revenues collected during the prior year, including but not limited to
24 revenue collected pursuant to Title 7 and Title 15, but not including:

25 (a) money from the federal government;
26 (b) money from the state government in the form of a grant;
27 (c) payments of principal and interest on bonded indebtedness; and
28 (d) grants, gifts, devises, or bequests made to the local government entity.

(3) A local government entity is not required to expend the full amount allowed in subsection (1) in a fiscal year.

(4) (a) A local government entity may expend an amount above the expenditure limitation provided in this section if:

(i) the governor declares or renews a declaration of emergency or disaster pursuant to 10-3-303 in that fiscal year and the declaration includes all or part of the geographic territory of the local government entity; or

(ii) the local government entity passes a resolution and submits to the electors the question to approve an amount above the expenditure limitation. If the majority voting on the question is in favor of expending an amount above the expenditure limit, the local government entity shall apply the additional amount to the budget of the fiscal year for which the resolution was passed. An election allowed in this subsection (4)(a)(ii) must be held in accordance with Title 13, chapter 1, part 4 or 5.

(b) Any amount expended above the expenditure limit as allowed in subsection (4)(a) may only be applied to the fiscal year in which a declaration of emergency or disaster is declared or renewed pursuant to subsection (4)(a)(i) or to the fiscal year for which a resolution is passed pursuant to subsection (4)(a)(ii).

(5) Except for an amount allowed in subsection (4), any revenue collected in excess of the expenditure limitation provided in this section must be subtracted from the total amount of revenue authorized to be raised by property tax collections pursuant to 15-10-420 for the subsequent year.

(6) This section applies only to cities of the first class and counties and consolidated city-counties with more than 20,000 residents.

Section 2. Section 15-10-420, MCA, is amended to read:

"15-10-420. Procedure for calculating levy. (1) (a) ~~Subject-Except as provided in [section 1(5)] and~~ subject to the provisions of this section, a governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3 years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax actually assessed in the governmental unit in the prior year based on the current year taxable value, less the

1 current year's newly taxable value, plus one-half of the average rate of inflation for the prior 3 years.

2 (b) A governmental entity that does not impose the maximum number of mills authorized under
3 subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between
4 the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill
5 authority carried forward may be imposed in a subsequent tax year.

6 (c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average
7 rate of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers,
8 using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of
9 labor.

10 (2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any
11 additional levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit,
12 including newly taxable property.

13 (3) (a) For purposes of this section, newly taxable property includes:

14 (i) annexation of real property and improvements into a taxing unit;

15 (ii) construction, expansion, or remodeling of improvements;

16 (iii) transfer of property into a taxing unit;

17 (iv) subdivision of real property; and

18 (v) transfer of property from tax-exempt to taxable status.

19 (b) Newly taxable property does not include an increase in value:

20 (i) that arises because of an increase in the incremental value within a tax increment financing
21 district; or

22 (ii) caused by the termination of an exemption that occurs due to the American Rescue Plan Act,
23 Public Law 117-2, and section 14, Chapter 506, Laws of 2021.

24 (4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the
25 release of taxable value from the incremental taxable value of a tax increment financing district because of:

26 (i) a change in the boundary of a tax increment financing district;

27 (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

28 (iii) the termination of a tax increment financing district.

(b) If a tax increment financing district terminates prior to the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax increment financing district terminates. If a tax increment financing district terminates after the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the following tax year.

(c) For the purpose of subsection (3)(a)(ii), the value of newly taxable class four property that was constructed, expanded, or remodeled property since the completion of the last reappraisal cycle is the current year market value of that property less the previous year market value of that property.

(d) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale of real property that results in the property being taxable as class four property under 15-6-134 or as nonqualified agricultural land as described in 15-6-133(1)(c).

(5) Subject to subsection (8), subsection (1)(a) does not apply to:

(a) school district levies established in Title 20; or

(b) a mill levy imposed for a newly created regional resource authority.

(6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes received under 15-6-131 and 15-6-132.

(7) In determining the maximum number of mills in subsection (1)(a), the governmental entity:

(a) may increase the number of mills to account for a decrease in reimbursements; and

(b) may not increase the number of mills to account for a loss of tax base because of legislative action that is reimbursed under the provisions of 15-1-121(7).

(8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes of 15-10-109, 20-9-331, 20-9-333, 20-9-360, and 20-25-439. However, the number of mills calculated by the department may not exceed the mill levy limits established in those sections. The mill calculation must be established in tenths of mills. If the mill levy calculation does not result in an even tenth of a mill, then the calculation must be rounded up to the nearest tenth of a mill.

(9) (a) The provisions of subsection (1) do not prevent or restrict:

(i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;

(ii) a levy to repay taxes paid under protest as provided in 15-1-402;

- (iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326;
- (iv) a levy for the support of a study commission under 7-3-184;
- (v) a levy for the support of a newly established regional resource authority;
- (vi) the portion that is the amount in excess of the base contribution of a governmental entity's property tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703;
- (vii) a levy for reimbursing a county for costs incurred in transferring property records to an adjoining county under 7-2-2807 upon relocation of a county boundary;
- (viii) a levy used to fund the sheriffs' retirement system under 19-7-404(2)(b); or
- (ix) a governmental entity from levying mills for the support of an airport authority in existence prior to May 7, 2019, regardless of the amount of the levy imposed for the support of the airport authority in the past. The levy under this subsection (9)(a)(ix) is limited to the amount in the resolution creating the authority.
- (b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes actually assessed in a subsequent year.
- (10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402, 67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating funds by a county or municipality during that time.
- (11) The department may adopt rules to implement this section. The rules may include a method for calculating the percentage of change in valuation for purposes of determining the elimination of property, new improvements, or newly taxable value in a governmental unit. (Subsection (3)(b)(ii) terminates December 31, 2025--sec. 13(5), Ch. 506, L. 2021.)"

NEW SECTION. Section 3. Codification instruction. [Section 1] is intended to be codified as an integral part of Title 7, chapter 6, part 40, and the provisions of Title 7, chapter 6, part 40, apply to [section 1].

NEW SECTION. Section 4. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

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2 NEW SECTION. **Section 5. Effective date.** [This act] is effective January 1, 2024.

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4 NEW SECTION. **Section 6. Applicability.** [This act] applies to local government entity budgets

5 adopted on or after July 1, 2026.

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